

1 UNITED STATES BANKRUPTCY COURT  
2 EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

3 IN THE MATTER OF, Case No. 13-53846  
4 CITY OF DETROIT, MI Detroit, Michigan  
September 30, 2014  
\_\_\_\_\_/ 9:30 a.m.

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6 IN RE: CONTINUED TRIAL RE: OBJECTIONS TO CHAPTER 9 PLAN  
BEFORE THE HONORABLE STEVEN W. RHODES  
7 TRANSCRIPT ORDERED BY: SHANNON DEEBY, ESQ.

8 APPEARANCES:

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1 (Court in Session)

2 THE CLERK: All rise. Court is in session. You may  
3 be seated. Case number 13-53846, City of Detroit, Michigan.

4 THE COURT: Before we begin, I received by email  
5 this very incriminating photograph which I understand was  
6 taken at 2:00 this morning. Would someone like to explain  
7 this to me?

8 A VOICE: I think Mr. Orr should explain.

9 MS. LENNOX: Actually it might have been even later  
10 than that, Judge. But that -- that is something that I  
11 believe Ms. Ball will address this morning.

12 THE COURT: I look forward to it.

13 MS. LENNOX: For the record, Your Honor, Heather  
14 Lennox of Jones, Day on behalf of the city. We do have a  
15 couple of very positive developments to report to Your Honor  
16 this morning.

17 I will be presenting one and then I will turn the podium  
18 over to Ms. Ball who will present the other. The first is, I  
19 would like to inform the Court that the city has resolved all  
20 of its issues with the Macomb Interceptor Drain District with  
21 respect to both its claim and its objection to the plan.

22 The settlement in brief is as follows. We will be  
23 allowing a claim for MIDD in the amount of \$22,000,000 as a  
24 Class 14 allowed claim. This resolves the claim objections,  
25 the ancillary motions that are pending, the motions for

1 summary judgment, et cetera, et cetera.

2 In exchange MIDD's objections to the plan and to  
3 confirmation will be deemed withdraw with prejudice. We have  
4 already exchanged drafts of the stipulation to memorialize  
5 this settlement. We expect to file that stipulation today  
6 under a notice of presentment. We'd like folks to have a  
7 couple of days to look at it. And we would ask -- or ask Your  
8 Honor to enter an order approving that stipulation on Monday.  
9 So that is -- unless Mr. Brilliant wants to add to that.

10 MR. BRILLIANT: Good morning, Your Honor. Ms.  
11 Lennox, you know, generally had it right. I just wanted to --  
12 I has a -- a few more details.

13 Obviously the -- you know, the settlement is -- is  
14 subject to our entering into a mutually agreeable stipulation  
15 which as Ms. Lennox said we're working on and we hope to have  
16 finalized today. And it's subject to Your Honor approving,  
17 you know, the -- you know, the settlement, you know, and  
18 allowing the claim in the amount of \$22,000,000.

19 You know, we as part of this, Your Honor, we would as Ms.  
20 Lennox said, we'd like Your Honor, you know, to enter an order  
21 you know, shortening time and -- and approving a form of  
22 notice, you know, for the stipulation so that we can get a --  
23 a hearing that's consistent --

24 THE COURT: Uh-huh.

25 MR. BRILLIANT: -- you know, with the needs of the  
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1 confirmation hearing.

2 THE COURT: Uh-huh.

3 MR. BRILLIANT: Hopefully if that works for Your  
4 Honor.

5 THE COURT: That's fine. I'm willing to do that.

6 MR. BRILLIANT: All right. And then -- and then the  
7 lat thing, Your Honor, is we have agreed with the, you know --  
8 you know, currently there's a summary judgment motion that's  
9 been -- been filed. MIDD's response is due on Wednesday and  
10 you know, we've agreed to put that off until Friday with the  
11 expectation, you know, being that hopefully it will all become  
12 moot on Monday if and when Your Honor approves the settlement.

13 THE COURT: Okay.

14 MR. BRILLIANT: And I think, Your Honor, that's --  
15 other than that Ms. Lennox accurately reflected our agreement.

16 THE COURT: Okay. Thank you. And thanks to you and  
17 everyone for your hard work in achieving this settlement. And  
18 please extend my special thanks and appreciation to Mr.  
19 Morroco.

20 MR. BRILLIANT: Will do, Your Honor.

21 MS. LENNOX: So with that, Your Honor, I think I'll  
22 turn the podium over to Ms. Ball for the big news of the day.

23 MS. BALL: Good morning, Your Honor. At least we  
24 think it is. We hope you will agree.

25 Corinne Ball of Jones Day for the city. First, I'd like  
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1 to thank you for your patience, if not your perseverance.

2 After hours and hours dedicated by your chief -- our  
3 chief mediator and Judge Perris non-stop and Mr. Driker as  
4 they together with our emergency manager Mr. Orr, helped  
5 coalesce an intense effort on the part of the city through the  
6 Mayor, his staff, the Detroit Economic Growth Corporation, the  
7 State Development Authorities, FGIC, and in addition to FGIC,  
8 Your Honor, the holders of 1.1 billion in certificates of  
9 participation which were located and became part of the  
10 resolution.

11 We are happy to report that we have been able to resolve  
12 what has seemed like Detroit's very own version of the Gordian  
13 knot, if not Groundhog Day between the COPS and the swaps.  
14 But I think we now have it done.

15 And cutting through to the major features of the proposed  
16 resolutions, Your Honor, first, the resolution will resolve  
17 all objections on the part of the COPS and FGIC to the plan.

18 Second, Your Honor, it will resolve, we propose resolving  
19 the invalidity suit on the COPS.

20 Third, Your Honor, we will have a Class 9 vote in favor  
21 of the plan.

22 Fourth, Your Honor, we will have an enhanced return by  
23 virtue of this settlement to the VEBA class, the LTGOs, and  
24 the general unsecured creditors.

25 And lastly, Your Honor, and not to mean if not the most  
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1 important feature, we will be jointly launching, subject to  
2 your approval, a significant investment in Detroit's future.  
3 And with that, Your Honor, perhaps I could go into greater  
4 detail. I have a PowerPoint if you would like it. May I  
5 approach?

6 THE COURT: Sure. Thank you.

7 MS. BALL: Now, Your Honor, turning to the first  
8 page. In terms of the structure of our settlement, there's  
9 two primary features and a third which I will point out.

10 The COPS holders will be opting into Class 9 treatment.  
11 The Class 9 treatment, Your Honor, remains the same as you  
12 heard in our discussions with Syncora.

13 We will settle the COPS invalidity litigation through a  
14 stipulation and entry into a JLA development agreement. That  
15 acronym, Your Honor, JLA certainly any hockey fan would know  
16 what it is. It's the Joe Louis Arena.

17 The third feature, Your Honor, also parallel to our  
18 former adversaries now colleagues at Syncora, involves a  
19 settlement of their swap related claims as well. So Your  
20 Honor will see there is a strong parallel development here.

21 Perhaps we should talk about a summary, moving on to the  
22 next page, please, Steve, of the opt in of the FGIC COP  
23 claims. We would enter into, Your Honor, a stipulation with  
24 seeking of course Your Honor's approval which would provide  
25 for the following.

1 The objections as I mentioned to the plan will be  
2 withdrawn. As a technical point, Your Honor, without  
3 prejudice should the plan not be confirmed, or should you not  
4 approve this settlement, to FGIC to re-file them, but we're  
5 very hopeful that that technicality will never be realized.

6 The FGIC COPS holders will opt into the plan COPS  
7 settlement without impairing their insurance claims against  
8 FGIC. So that tense situation has been resolved. FGIC is  
9 letting their COPS holders opt in and the city's consideration  
10 in Class 9 will reach the COPS holders who will also maintain  
11 their insurance claims.

12 In accordance with the plan COPS settlement, FGIC shall  
13 be deemed to vote in favor of the plan and Your Honor as I  
14 said, the consideration will be handled and distributed  
15 between FGIC and the COPS holders.

16 Your Honor, turning to some of the more technical  
17 details, the plan shall be amended to revise the definition of  
18 Class 9 eligible city assets. If I may refresh your  
19 recollection, Your Honor, the key features of Class 9  
20 treatment were the B notes as to which you've heard a lot  
21 which are the 30 year notes issued to various unsecured  
22 classes.

23 The C notes, sometimes called the parking notes. And the  
24 third feature were settlement credits. Your Honor may recall,  
25 vouchers if you will should the city decide to sell an asset,



1 these settlement credits could be used as a cash equivalent  
2 for 50% of the purchase price if the holder of the settlement  
3 credit were the most successful bidder.

4 Those settlement credits could be exercised against a  
5 concept called eligible city assets. Your Honor, those  
6 eligible city assets include any property within 3.1 mile  
7 radius of the terminal, the tunnel terminus.

8 They also include the Joe Louis Arena originally. And  
9 included the RFP should the city proceed with it for its  
10 parking assets.

11 We would amend that definition to remove the Joe Louis  
12 Arena and to remove the Joe Louis garage as the Joe Louis  
13 garage was scheduled for demolition together with the arena,  
14 it neither affects the projections nor the strength of the  
15 parking revenues supporting the C notes.

16 In addition the city believes it will discharge its  
17 responsibility not to amend the plan of adjustment in a way  
18 that would materially -- would materially adversely affect  
19 Class 9 without the consent of FGIC. Your Honor may recall we  
20 have made a similar commitment to Syncora not to amend the  
21 plan in a manner that's materially adverse.

22 The parties do acknowledge and this is absolutely  
23 critical to the city, that timing is of the essence and before  
24 we are done this morning, Your Honor, we would like to go

25 through what remains to be done and how we would sequence

1 those events or how you would like them sequenced.

2 Your Honor, on the invalidity litigation. COPS  
3 litigation is something I think has been described to you on  
4 and off since almost a year ago, almost a year ago to the day,  
5 not far off.

6 The city and FGIC will enter a 9019 settlement subject to  
7 your approval which will provide for the dismissal of the COP  
8 litigation. FGIC will dismiss or cause to be dismissed all  
9 counter claims filed in the COPS litigation. FGIC shall waive  
10 any claims it may have against any other party related to the  
11 COP litigation.

12 And by that, Your Honor, I'm referring to many of the  
13 described equitable claims that might reach, were they  
14 successful, the retirement systems or other city related  
15 parties, however, as between the COPS and FGIC on the one  
16 hand, and the swap and counter parties, all their claims  
17 remain unaffected. So that they can hopefully at some point  
18 in the future, ride off into the sunset happily or take their  
19 dispute somewhere else. We are not advancing that at all.

20 And more importantly for the city, the city will enter  
21 into a development agreement with FGIC. The settlement of the  
22 FGIC COPS, Your Honor, this settlement relates to the COPS  
23 that have been insured by FGIC. That approximates 1.1 billion  
24 of the outstanding 1.4 billion.

1 exculpation for FGIC. The FGIC COP holders, and Wilmington  
2 Trust which is the trustee for all trusts. They will be  
3 included as exculpated parties subject to certain carve outs.  
4 Again, Your Honor, the carve outs are designed to comply with  
5 law and to preserve this balance that we've tried to respect  
6 as between the swap plan counter parties, the waterfall, and  
7 the COPS.

8 The settlement is going to be available to and in fact  
9 with -- to every COP claimant that opts in prior to the  
10 effective date. We understand that that 1.1 billion is  
11 prepared to, and FGIC will work to cause them to opt in.

12 Your Honor, this if you haven't guessed, this does  
13 portend an eighth amended plan. As part of that eighth  
14 amended plan, and in full satisfaction of FGIC's claims  
15 related to the swaps, FGIC shall received an allowed Class 14  
16 claim in the amount of 6.11 million dollars. I'll come back  
17 to how we got to that amount.

18 But the foundation for that claim, Your Honor, is in this  
19 very -- I always find it's a convoluted -- but in this complex  
20 COPS swaps there is a service contract between the city and  
21 the service corps which as part of the security package for  
22 the COPS was assigned to the trustee for the COPS as  
23 collateral.

24 That service contract is being rejected under our plan  
25 and it would give rise to a rejection claim. This allowed

1 Class 14 claim in this amount, that would be the legal  
2 foundation for that claim.

3 Your Honor, we also have another class in the plan. It's  
4 Class 13 which is the Detroit Downtown Development Authority.  
5 You may recognize that that is the agency that has long been  
6 involved with the development of the Joe Louis Arena and the  
7 new arena.

8 In that class there are 33.6 million in claims owed to  
9 the Downtown Development Authority which is an arm of the city  
10 working with the Mayor and his staff. They have determined  
11 that they will assign their distributions under Class 13 which  
12 would be the B notes distributable on account of that claim.

13 Excuse me, Your Honor, to FGIC in satisfaction of its swap  
14 related claim.

15 So at the end of the day FGIC will end up with a face  
16 amount of 4.5 million in B notes. Your Honor may note some  
17 parallelism with a lesser less favorable treatment to the  
18 \$5,000,000 cash payment to Syncora on account of its swap  
19 claim.

20 So that's how we got to the 4.5 million. If you do your  
21 math, Your Honor -- Your Honor, the 6.11 allowed claim is what  
22 brings the face amount of B notes to 4.5 million. But the  
23 city again I think made a sacrifice in terms of having those  
24 notes go to FGIC and reflecting once again the very

1 reinvestment in Detroit.

2 Your Honor, the next page describes the new C notes.

3 This page is almost identical, if not virtually identical to  
4 the description of the C notes that we presented to you upon  
5 the settlement of Syncora's claims. These new C notes, Your  
6 Honor, are the ones that are backed by the parking revenues --

7 THE COURT: One second. Can we go back one slide?

8 MS. BALL: Of course. The B notes?

9 THE COURT: Yeah. What is -- what is 74.2 million?

10 MS. BALL: Your Honor, if we go back to the sixth  
11 amended plan which should not strain memory, it was -- it was  
12 fairly recent, we had a pre -- we had created a litigation  
13 trust and a disputed COPS reserve claim.

14 In that we would have deposited 100 B notes that would be  
15 attributable to 100% allowance of the claim. The reflection  
16 here, and forgive me for not being more express, is that  
17 FGIC's claim is being allowed at the same percentage as  
18 Syncora's.

19 That Class 9 has not moved. So their claim again is that  
20 same 60.5% as Syncora. That's its allowance amount. The  
21 allowance would then -- the FGIC 1.1 billion in claims at that  
22 amount would cause the release of 74.2 in these new B notes.

23 Your Honor, that leaves behind roughly 48,000,000 in B  
24 notes which as I mentioned earlier was served to enhance the

1 THE COURT: Okay.

2 MS. BALL: So it isn't -- forgive me, but it is  
3 absolutely parallel and we are doing in Class 9 with FGIC  
4 exactly what we did with Syncora, however, the scale is 3 to  
5 1. Which is why their number is 74 and you may recall FGIC's  
6 number is 23.5 million in B notes.

7 THE COURT: Syncora's.

8 MS. BALL: Syncora's number. Thank you.

9 On the new C notes, Your Honor may recall that we  
10 envisioned potentially when we filed the seventh amended plan,  
11 the issuance of 88,000,000 plus in new C notes, one quarter of  
12 which have already been dedicated to Syncora. This  
13 sixty-seven is the remainder which will be going to FGIC's COP  
14 holders.

15 They -- the exact same notes in this description, Your  
16 Honor, conforms to this description in the same C notes that  
17 were described in the seventh amended plan. There is no  
18 difference. Some of the additional detail that Your Honor  
19 sees here, particularly the reference to approximately  
20 10,000,000 of parking revenues being set aside annually to  
21 assure debt service, is a detail that was added to the C notes  
22 when the EL -- the city council, the ELB actually went through  
23 the financing and the terms of the notes. So that's a bit  
24 more detail, but it applies equally to the C notes that will  
25 be held by Syncora.

1 They are unsecured other than this reserve racking  
2 revenues each year for debt service. They must be pre-paid  
3 should the city proceed with its RFQ for parking assets and  
4 sell them. And they may be pre-paid at any time without  
5 penalty or premium.

6 As to the settlement credits, Your Honor, which was the  
7 third element of Class 9 treatment, B notes, C notes,  
8 settlement credits. FGIC and the FGIC COP holders will receive  
9 19.7 million in Class 9 settlement credits.

10 These are the vouchers which some of us that are closer  
11 to the over the hill gang have referred to as S & H green  
12 stamps for the City of Detroit that can be used to purchase  
13 assets that the city would sell. As I mentioned we're  
14 redefining what those eligible assets are.

15 However, the owner of the credits must participate in  
16 whatever the auction process or procurement process outlined  
17 by the city. And if they are the winning party they may then  
18 use settlement credits, but only up to 50% of the purchase  
19 price.

20 So Detroit believes that that is real money, Your Honor,  
21 because they believe there will be assets worth buying in  
22 Detroit as we move forward, particularly post-confirmation.  
23 They are freely assignable, Your Honor. So they would not  
24 necessarily be exercised by FGIC or a COP holder, but could be  
25 exercised by any purchaser.

1 Your Honor, moving to what's new and that you have not  
2 heard about before. The Joe Louis Arena. I think most of  
3 Detroit is well aware that the Red Wings will have a new  
4 stadium and that new stadium is due to be completed on current  
5 timing in 2017 and the Red Wings will move from the Joe Louis  
6 Arena to the new stadium which would leave the city with the  
7 garage and the arena to be demolished but certainly the arena  
8 to be demolished and the garage is an open question but in all  
9 the city projections that have been involved in this case, it  
10 would have been demolished as well, that garage.

11 Until then it will continue to be operated by Olympian  
12 and the revenues will flow into the parking revenues as they  
13 always have.

14 The city and the to be formed entity, and that entity  
15 will be a FGIC entity. So we've just called them the  
16 developer for now. And it could include FGIC and the whole --  
17 and/or the holders of COPS. Will enter into a development  
18 agreement. Under that agreement, the developer will be  
19 granted an option to acquire and develop the land on which is  
20 currently situated the Joe Louis Arena and the Joe Louis Arena  
21 garage. Joe Louis Arena, Your Honor, now covers 5.3 acres at  
22 19 Steve Yzerman Drive.

23 THE COURT: Yzerman.

24 MS. BALL: Thank you. I knew I was not going to

25 massacre that one.



1 THE COURT: You're not from around here, are you?

2 MS. BALL: You know, but I'm really getting the feel  
3 for it.

4 THE COURT: Okay.

5 MS. BALL: It's only been 30 years of here -- at  
6 least -- at least a case a year.

7 THE COURT: Well, we'll help you where necessary.

8 MS. BALL: Oh, thank you. I -- it's much  
9 appreciated.

10 The garage is 3.3 acres at 900 West Jefferson Avenue. So  
11 those are the parcels. Your Honor, it's very exciting because  
12 in a parallel development the city and the state and the  
13 conservancy have not -- have already reached an agreement,  
14 Your Honor, may be aware, along the river walk.

15 So the whole area on the river side of Cobo Hall and the  
16 Joe Louis Arena is already committed to development and  
17 improvement and this will be hopefully another turning moment  
18 for this area of Detroit in terms of its development.

19 Within 90 days after the expiration of the Joe Louis  
20 Arena lease to the Red Wings, which Your Honor is floating a  
21 bit because it's dependent on completion of the new arena, the  
22 city will commence demolition of the Joe Louis Arena. The  
23 demolition will include remediation of existing environmental  
24 contaminants on the surface or sub surface of the parcels

25 sufficient under applicable law for the developer to use the

1 parcels for its intended use which as of right now, Your  
2 Honor, is a multi use hotel, condominium, office, and retail  
3 development.

4 It will be the conference hotel, at least it's being  
5 envisioned at the moment for Cobo Hall. The demolition is  
6 expected to commence on or about September 15<sup>th</sup> because we all  
7 hope the Red Wings will start that season in their new home,  
8 and will be completed within one year of commencement.

9 The state shall make available to the city certain  
10 community revitalization programs, that's the acronym CRP,  
11 Your Honor, as you see more of these agreements, of up to  
12 \$6,000,000 for the purpose of reimbursing the city for the  
13 costs and expenses incurred in connection with the demolition  
14 and any necessary environmental remediation.

15 If the city doesn't use the entirety of such 6,000,000  
16 for the demolition, the balance shall be made available to the  
17 developer to improve the project. The money must stay in the  
18 project in Detroit.

19 The developer option is within 36 months of the execution  
20 of the agreement they shall identify a development partner and  
21 prepare a comprehensive development plan for the parcels which  
22 would anticipate the application of these state originated  
23 incentives and a Brownfield plan necessary to also be the  
24 beneficiary of what is known as TIFF incentives.

1 that deadline that it's required to submit its proposal by up  
2 to 24 months. The city will also cause the parcels to be  
3 zoned B-5 which would permit the parcels to be used as a mixed  
4 use development subject to the city's review and its normal  
5 process regarding site plans.

6 The city's approval of the proposal will be separate from  
7 the approval of general municipal approvals or permits,  
8 however, the developer may proceed with securing these  
9 approvals after the city has its first approval. The city is  
10 retaining approval of the site plan in accordance with its  
11 normal process.

12 The developer will have 180 days before the proposed  
13 submission deadline to notify the city that it wishes to  
14 inspect the parcels during which time they may conduct due  
15 diligence, environmental studies, for use surveys, and in  
16 essence diligence and complete their proposal to the city.

17 Should the developer determine the parcels are  
18 unsatisfactory, there is an objection process to resolve  
19 those. The city has 60 days to cure it. And we're all  
20 hopeful and everyone I think, Your Honor, based on what they  
21 know today, believes that there shouldn't be any show stopping  
22 issues.

23 The developer will indemnify the city against any loss or  
24 expense if they're going in and boring holes or take other

25 samples, they'll be responsible for that. If those conditions  
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1 are met, the developer may proceed with its plan and the city  
2 and the developer will close on the later of two years from  
3 approval of the proposal and six months -- or six months from  
4 completion of dismissal -- demolition, forgive me, Your Honor.

5 So, Your Honor, this is a look forward deal. We're  
6 really talking about it not occurring until 2017.

7 Post-demolition, post-judgments, and during that time we  
8 anticipate the developer will be working through their site  
9 plan, their development, and what they would like to do. But  
10 it really is a look forward to 2017 and what might happen  
11 then. Not quite a future draft choice, but in some respects  
12 hard to totally quantify for your benefit accurately.

13 The economic development incentives if the proposal is  
14 approved by the city, the state's agreed to reimburse for  
15 certain project costs through community re-development --  
16 community revitalization program and TIFF incentives.

17 Your Honor, the numbers are 4,000,000 in community  
18 revitalization program credits, and 14,000,000 in TIFFs  
19 incentives which will accrue at a 3% per annum interest on any  
20 outstanding balance. These, Your Honor, benefits come to this  
21 project from the state.

22 The city will use good faith efforts to re-evaluate its  
23 use of these incentive programs, Your Honor, as between TIFF  
24 incentives and CRP such that we might in essence shift the

1 much of the development project involves what are eligible  
2 costs for a TIFF Brownfield program.

3 And if we can all agree that they have 18,000,000 of  
4 those, they would proceed solely with TIFF. But as I said  
5 three years from now, some of these details are rolling  
6 forward and will be developed.

7 And the state has also agreed to designate the  
8 development of neighborhood empowerment zone. If the  
9 development includes residential development as the city  
10 currently anticipates will.

11 For those of you who don't know what that is, Your Honor,  
12 that is a program for buyers of homes in the City of Detroit  
13 to have a break on their taxes. So it is meaningful to a  
14 developer because obviously it will help them market the  
15 condominiums because their purchaser will have the benefit of  
16 this prolonged tax advantage.

17 So we will -- the city has agreed to do that in the event  
18 they do develop residential development as we hope they will.  
19 The city has agreed to declare part of the commercial  
20 re-development zone or commercial rehabilitation zone. Your  
21 Honor, that designation which are under local Michigan laws  
22 210 and 255, would enable the developer to take advantage of  
23 certain tax abatements of city oriented tax -- city and other  
24 taxes.

1 developers, but it is not uncommon in reaching development  
2 agreements between the city and other developers.

3 The other terms of the agreement really go to the timing.  
4 Once the developer commences or commences, breaks ground,  
5 we're asking them to commence the development within one year  
6 of closing. And then we're asking them to substantially  
7 complete the development within three years.

8 If the developer fails to achieve the commencement of  
9 construction which Your Honor I am told is a highly technical  
10 real estate term. Personally I think it's a shovel broken  
11 ground, but it might be a little bit more complex. The  
12 parcels would automatically revert to the city. But there is  
13 a very detailed definition of what commencement of  
14 construction means. So that we don't take away the property  
15 if it is a minor deal.

16 The developer will accept the parcels on an as is where  
17 is basis subject to the city's environmental obligations. And  
18 for any general municipal approvals or permits, the city and  
19 state agree to process such requests promptly and in no more  
20 than 30 days and shall use reasonable efforts to facilitate  
21 such requests.

22 Prior to closing the city will maintain the parcels in at  
23 least the same condition and repairs during the date of the  
24 agreement. Your Honor, this agreement is subject to Your

1 asking Your Honor to retain jurisdiction over any disputes  
2 relating to this agreement.

3 Your Honor, there are also details which would enforce  
4 the existing obligation to improve on the part of Olympian  
5 which is the existing tenant of the Joe Louis Arena and garage  
6 to maintain and improve that garage during its continued  
7 tenure. And obviously that obligation would enure to the  
8 benefit of FGIC as well.

9 Your Honor, while it is not carved in stone, we have  
10 tried to pull together a time line that would help us  
11 visualize and certainly we are hoping it helps you visualize  
12 what we anticipate happening under this development agreement.  
13 As you can see even if we start in October of 2014 which would  
14 be the development signing agreement, in fact Your Honor we'll  
15 get to that timing and we have a date in mind. We assume  
16 you'll give us a deadline for that agreement as well. It has  
17 to be done.

18 Moving ahead to August in anticipation of the Red Wings  
19 move to their new stadium, April and August we'll be moving  
20 ahead with the diligence notice. December the city, assuming  
21 the Red Wings are able to move into their new home, would  
22 begin demolition of the stadium.

23 They'd have to complete it within a year. But  
24 interestingly below the line, before demolition, we want to

1 think, Your Honor, that's been slotted in at least in this  
2 illustration for October.

3 At the end of the day, Your Honor, this is anticipated to  
4 be completed by October 2022 which given everything that we  
5 have tried to accomplish here, it seems like a lifetime but I  
6 am told in revitalizing and developing the city, something of  
7 this size, it is not. It is rather an expedited time line.

8 Your Honor, this is also being done in cooperation with  
9 the Cobo Hall Regional Authority. And we anticipate that this  
10 developer and the city will work very closely with Cobo Hall.  
11 As you know they are doing a refinancing and have been very  
12 successful. And we anticipate that this development will also  
13 enjoy the benefits of the improvements along the river walk,  
14 the improvements and refinancing at Cobo Hall.

15 And I think the city and the state do hope that there  
16 would be a lot of development around it and great benefit to  
17 the city from this agreement. Your Honor, as a -- a detail I  
18 would -- not a detail, there are two other matters.

19 One is a housekeeping, the other I need your guidance.  
20 We would anticipate four more documents. I have signed term  
21 sheets, the development agreement that are executed by the  
22 state, the city, and FGIC. I have signed term sheets for the  
23 outline of the settlement, remainder Class 9 portions of the  
24 settlement, also signed by the same three parties.



1 blown stipulation of the invalidity suit, a development  
2 agreement, a settlement agreement, and Your Honor, an eighth  
3 amended plan. Although we are not changing the treatment of  
4 any classes, the exculpated parties are changing, the eligible  
5 properties are changing so there is a need to do that.

6 We are keenly aware of Your Honor's schedule for the  
7 remaining witnesses. And in speaking with Mr. Perez, we would  
8 think we could get all those documents done by --

9 MR. PEREZ: I think three of the documents are  
10 easily done quickly, Your Honor. Which is the stipulation,  
11 the --

12 THE COURT: Are you by a microphone?

13 MR. PEREZ: Yes, I'm sorry. Your Honor, I think  
14 that three of the documents can be done relatively -- Alfredo  
15 Perez, Your Honor, on behalf of FGIC.

16 I think three of the documents can be done rather quickly  
17 which is the -- the settlement agreement, the stipulation, and  
18 the third document which I forgot what it was. The one that  
19 may take a little bit longer is the development agreement as  
20 -- as -- just from the papers on the -- you know, the  
21 description.

22 It is a -- not an easy thing to pull together overnight.  
23 It's something we're going to have to live with for the next  
24 30 years. So I -- I really don't want to anticipate what my

1 a reasonable time to put that together.

2 But as it relates to the settlement agreement, the  
3 stipulation, I think those things --

4 MS. BALL: And the plan.

5 MR. PEREZ: And the plan. That's in their control.  
6 But the stipulation and the settlement agreement, I think that  
7 can certainly be done by next week.

8 MS. BALL: Your Honor, I am advised by my esteemed  
9 colleague Ms. Lennox, that if she and I put our shoulder to  
10 the wheel, we could have the plan done by Monday. I think it  
11 is the other agreements that might take till Wednesday, at  
12 least that's what we're thinking.

13 In addition, Your Honor, I may have mentioned that one of  
14 the reasons we were able to break through the invalidity suit,  
15 the COPS, the history, where we were successful through the  
16 intervention of Mr. Mayer and his assistants of getting the  
17 actual investors and the COPS to participate.

18 Development will take resources as I'm sure is no  
19 surprise to Your Honor. Construction funding, equity funding.  
20 So it was really a good thing to do to have them in the room  
21 and it was necessary.

22 And as part of that, they had to sign non-disclosure  
23 agreements because Your Honor they were participating in our  
24 mediation process and were subject to your mediate -- Your

25 Your Honor's mediation order.

1 In connection with that we agreed in the NDA to present  
2 to Your Honor jointly, and this would be the motion by the  
3 city, the COPS holders themselves through Mr. Mayer, and FGIC,  
4 a motion that we just filed which will have as exhibits both  
5 the signed development agreement term sheet and the settlement  
6 term sheet to allow these COP holders to disclose the elements  
7 of this deal and be relieved from the mediation order to that  
8 extent as these are trading securities.

9 We have filed that motion. I have copies with me, Your  
10 Honor, if I may approach.

11 THE COURT: That's all right. I'm looking at it on  
12 line now. All right. I just have a couple of questions for  
13 you and then I'll see if others want to make any statement to  
14 the Court.

15 To what extent does this process foresee involvement by  
16 or approval by city council?

17 MS. BALL: Your Honor, I have consulted with the  
18 emergency manager, Mr. Orr. There are two subsequent  
19 processes.

20 Mr. Orr intends to take this to the city council as soon  
21 as possible. Today is Thursday, so whether it's Friday or  
22 Monday, I think is more logistics. But he has committed to  
23 get it done as quickly as possible.

24 In addition, I would defer to Mr. Perez, but FGIC is  
25 subject to the regulation of the Department of Financial

1 Services in New York. And I think he can share with you what  
2 he thinks that approval process would require.

3 But I am very happy to report in good faith they started  
4 that process yesterday because we have been absolutely  
5 insistent if not bludgeoning that there is a calendar we have  
6 to meet here and they must move.

7 I think Mr. Perez could give you more detail, but we are  
8 encouraged that they started that process even before we  
9 finished. But those are the only two --

10 THE COURT: Well, does Mr. Orr have a schedule for  
11 that city council presentation? Mr. Orr?

12 MR. ORR: Good morning, Your Honor. Kevyn Orr,  
13 emergency manager, City of Detroit. I'm not acting as an  
14 attorney since I'm not licensed in the State of Michigan.

15 We would like to get it in front of council as soon as  
16 possible so that the terms -- I think this still fits under  
17 order 42 of my order which allows me under Paragraph 3(b)(xii)  
18 to submit settlements to city council and have them approve it  
19 under the normal order of 436.

20 So we're trying to get it to them as soon as possible. I  
21 would hope that I could appeal to their good graces and have  
22 them hear it perhaps next week. So either they would approve  
23 it, or if they don't approve it, we could get it to the  
24 emergency loan board as soon as possible as well.

1 MR. ORR: Yes, sir.

2 THE COURT: Do these two settlements mean from a  
3 technical bankruptcy perspective that all impaired classes  
4 will have approved, accepted the plan?

5 MS. BALL: No, sir. Class 14 which is the class of  
6 general unsecured creditors and remarkably Class 15 which is  
7 the convenience class, Your Honor. Neither of those classes  
8 have accepted the plan.

9 THE COURT: Okay.

10 MS. BALL: But all others have, Your Honor.

11 THE COURT: So what schedule of Court process would  
12 you see or suggest to the Court?

13 MS. BALL: Well, Your Honor, as soon -- I think the  
14 issue is one for Mr. Perez as he has not yet rested. We are  
15 aware, and maybe Mr. Mayer would like to be aware of Your  
16 Honor's desire to have the Court's financial expert testify on  
17 Tuesday which seems perfectly fine in light of this  
18 settlement, that would not change.

19 We would anticipate that going forward, particularly if  
20 we have the plan done before then and we would and to Ms.  
21 Kopacz. She already has the projections revised to reflect  
22 FGIC's opting into the settlement. So I --

23 THE COURT: So there won't be any further revisions  
24 to projections as a result of this settlement?

25 MS. BALL: No, sir. They have been -- they have

1 been delivered. They were anticipated. Your Honor, you may  
2 recall that we amended Class 9.

3 The issue was when you do projections do you do it just  
4 assuming Syncora opted in, or that everyone opted in. So the  
5 projections have now gone to Ms. Kopacz with the assumption  
6 that all COP holders opt in and the full amount of the parking  
7 notes are issued.

8 There have also been Mr. Orr, as our emergency manager  
9 has had some success in other non-recurring transactions such  
10 as legal settlements, reclamation of copper from demolition,  
11 and those extraordinary non-recurring cash items that we now  
12 know will be available to the city are also reflected.

13 As well as Your Honor, Mr. Orr has asked for, and it is  
14 in the projections, yet to be allocated, a contribution from  
15 the professionals working for the city in those projections.

16 THE COURT: Will there be evidence of that from Mr.  
17 Orr, or Mr. Malhotra, or any other witness?

18 MS. BALL: I would defer to Mr. Cullen on that, Your  
19 Honor, but it is my understanding that there will be evidence  
20 regarding the revised projections and that that would be it as  
21 well as Your Honor's expert Ms. Kopacz.

22 THE COURT: That evidence should come in before Ms.  
23 Kopacz, don't you think?

24 MR. CULLEN: Thomas Cullen for the city. Yes --

25 yes, Your Honor.

1 And that -- we've discussed that with Ms. Kopacz and  
2 that's her preference as well. And we think that we could get  
3 both of those things done on -- on -- on Tuesday of next week,  
4 Your Honor.

5 THE COURT: One second, please. Well, when would  
6 you propose -- propose to submit this further evidence  
7 regarding new sources of cash?

8 MS. BALL: It's in the projections.

9 MR. CULLEN: It's in the projections, Your Honor.  
10 And that -- the projections would be -- we will serve the --  
11 we provided the projections to Ms. Kopacz and we'll serve the  
12 projections this week.

13 THE COURT: Right. But I thought -- I thought I  
14 heard you say that you intend to submit evidence of them as  
15 well to the Court.

16 MR. CULLEN: Yes, yes. That -- that would be the  
17 testimony on Tuesday.

18 THE COURT: And from whom?

19 MR. CULLEN: From Mr. Malhotra.

20 THE COURT: Well, all right. I'm going to have to  
21 confer with Ms. Kopacz given these developments to -- to see  
22 what makes sense in -- in terms of when her testimony should  
23 -- should be presented.

24 I think that for the sake of a -- of a straightforward  
25 and clean record, it's probably advisable for her to submit a

1 supplemental report.

2 MR. CULLEN: Yes, Your Honor.

3 THE COURT: And -- and obviously she'll need time to  
4 do that and to -- and to prepare for her testimony.

5 MR. CULLEN: Yes.

6 THE COURT: So Tuesday may be a little bit  
7 aggressive, but I will -- I will confer with her about that  
8 and let everybody know. But I think we should plan on Tuesday  
9 for this additional testimony. How much time do you think it  
10 will take?

11 MR. CULLEN: I think probably 45 minutes on direct,  
12 Your Honor.

13 THE COURT: Okay. All right. Thank you.

14 MS. BALL: Your Honor, as a technical matter I know  
15 that Mr. Mayer would like to share with you his views of what  
16 I've presented to you as would Mr. Perez. But Mr. Mayer has a  
17 mediation order to share his position. And I would ask Your  
18 Honor if you are inclined to enter the order requested so that  
19 he would be free to speak.

20 THE COURT: Yes, yes, absolutely.

21 MS. BALL: Thank you, Your Honor.

22 THE COURT: That order will be entered.

23 MS. BALL: With that, Your Honor, I would defer it  
24 to Mr. Perez.

25 MR. PEREZ: Your Honor, Alfredo Perez. She did part  
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1 of my work because I was -- the first thing I was going to do  
2 was ask you to enter the order.

3 THE COURT: Yes.

4 MR. PEREZ: But, Your Honor, I'm happy to be here  
5 this morning talking to you about a settlement as opposed to  
6 cross examining a witness. And I want -- I do want to thank  
7 the mediators, Judge Rosen, Judge Perris, Mr. Driker, for  
8 their work, especially in the last two or three weeks which  
9 have been quite intensive.

10 I think FGIC is very happy to be in this position. I  
11 think that it's a win win situation for both the city and --  
12 and for FGIC. And I -- I anticipate that going forward it  
13 will be a mutually beneficial relationship.

14 As the Court may be aware, FGIC is in its own  
15 rehabilitation proceeding. They're -- they're operating  
16 pursuant to a confirmed plan that was confirmed in August of  
17 last year.

18 As a result, anything outside the ordinary course of  
19 business is subject to DSF approval. In the course of this  
20 case, we've had one occasion to get DSF approval. We were  
21 able to get it very quickly.

22 We -- I don't have a particular time line. We're going  
23 to submit this on Monday, if not tomorrow. And we're at --  
24 you know, we will actively try to get the approval as quickly  
25 as possible. And I'll be certainly in a position to report

1 next week, you know, the steps that we're -- that we're  
2 taking.

3 We don't anticipate and, you know, obviously the  
4 regulator is going to do what the regulator is going to do.  
5 We think that it's a -- a very substantial settlement for us.  
6 We think it's in the interest of our policy holders which are  
7 obviously -- we have no shareholders, it's -- it's only our  
8 policy holders.

9 So we are very confident that this is a good proposal for  
10 them. But I did want to put that on the record just -- just  
11 to make sure.

12 Your Honor, in connection with the -- the order that the  
13 Court is inclined to enter, there are certain aspects of the  
14 discussions that we had which are probably more important than  
15 others. And in connection, and I'm sure the Court is aware of  
16 the WaMu case where there were issues that arose as not just  
17 of the deals that were made, but the deals that -- that were  
18 offered that weren't necessarily made.

19 And in connection with that, we do have a -- we did in --  
20 in -- in discussing the various options with the COPS holders  
21 who by the way have been extremely -- I mean they all got  
22 restricted in -- in -- in the course of one day which is  
23 amazing, seven different groups.

24 We did offer to accelerate the bonds and the policies,

25 but unfortunately we weren't able to -- to -- to implement

1 that. But that was one of the things that was on the table  
2 that -- that we're discussing. And we're continuing to have  
3 general discussions with the COPS. And we're -- very hopeful  
4 that we can have a -- a resolution in the future.

5 But I want to thank the Court as well. Thank you. And  
6 Mr. Mayer would like to say a few things.

7 THE COURT: Certainly.

8 MR. MAYER: Good morning, Your Honor. For the  
9 record Thomas Moers Mayer of Kramer, Levin, Naftalis, and  
10 Frankel.

11 I represent seven institutions that hold over 90% of the  
12 1,100,000,000 in COPS that are insured by FGIC. And I need to  
13 put a reservation on the record.

14 Ms. Ball and Mr. Perez referred to several term sheets  
15 embodying the deal. We have not actually seen those. That's  
16 not a criticism, it's a fact. I'll tell you why that  
17 happened.

18 So my clients have not actually seen the documents they  
19 are being asked to agree to. We have a pretty good idea of  
20 what's in them, but for reasons I'll get into, we have not  
21 actually seen these documents.

22 Every client will have the opportunity to opt in. People  
23 that don't opt in will retain whatever rights they have to  
24 object. It is my hope that after people see the documents,

25 everybody will opt in, but I cannot commit in advance. People  
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1 need to see the documents.

2 THE COURT: What's your timing on that?

3 MR. MAYER: A few days. I do not anticipate it's  
4 going to take that long. And when I tell you how this came to  
5 be you'll understand why that time table is reasonable.

6 The round of negotiation that is -- that has culminated  
7 today and what's before you started from our perspective a  
8 week ago Monday. And clients got restricted Thursday. And we  
9 worked around the clock Thursday, Friday, Saturday, Sunday,  
10 Monday over the Columbus Day weekend.

11 And we failed. The failure may not mean anything, but I  
12 need to describe to you what happened. The certificates of  
13 participation are COPS don't accelerate. The bankruptcy does  
14 not accelerate them.

15 They are claims against a trust, the trust has claims  
16 against the city. Those are the claims that are being settled  
17 today. And I am not objecting to the settlement of those  
18 claims.

19 But the COPS don't accelerate. Every payment of interest  
20 gets paid when it gets paid, every payment of principal gets  
21 paid when it gets paid. Interest gets paid before principal.  
22 So that if cash doesn't come into the trust, the interest  
23 accumulates, the people with principal never see anything.

24 One of the elements of what was under discussion was an  
25 acceleration of the COPS so that everything would be

1 distributed as bankruptcy lawyers are comfortable seeing.

2 Which is that everything gets whacked up in accordance with  
3 principal amount.

4 At the same time the COPS are insured by FGIC. FGIC  
5 right now pays about 17 cents of every payment that comes due.  
6 And again the COPS don't accelerate. Under the current  
7 policies FGIC pays 17 cents of every interest payment that  
8 comes due, then it pays every -- 17 cents for every principal  
9 payment that comes due when it comes due, nothing accelerates.

10 This year it's a few million dollars, it's very little.  
11 This round of negotiation started off with FGIC offering to  
12 accelerate payments such that \$170,000,000 would be paid  
13 shortly after the effective date of the plan.

14 This was of interest to FGIC for reasons that are theirs.  
15 It was obviously of interest to my clients for reasons that  
16 are obvious.

17 Based on that element we negotiated around the clock over  
18 Columbus Day weekend. It turns out that FGIC's ability to pay  
19 that 170,000,000 was dependent on the acts of a third party  
20 who we are informed, and we have no reason to believe this is  
21 not true, has its own self interest in seeing that -- that  
22 \$170,000,000 paid, but for reasons best known to itself,  
23 yesterday yanked the rug out of everybody.

24 At 4:00 we had a term sheet we were prepared to sign. At

1 imagine, the disappearance of \$170,000,000 of payment up front  
2 by our insurer was a material change.

3 So I cannot tell you today that we're on board with this  
4 deal because that came out of nowhere. Now I have had  
5 conversations with my clients from 9:00 p.m. last night to  
6 2:30 in the morning, we're not in that picture as you notice.  
7 Again, it's a fact it's not a complaint.

8 THE COURT: I did notice.

9 MR. MAYER: Not a complaint. And again at 9:00 a.m.  
10 this morning. They're going to look at the documents. It is  
11 our hope that people will opt in and we will be able to  
12 withdraw our own objections to the plan. So I'm hopeful, but  
13 I can't commit to you today that that will happen because  
14 there was this very big change.

15 Now, we're working with FGIC. We got very far down in  
16 the detailed term sheet. My understanding is that the term  
17 sheet that I will see won't have the acceleration language in  
18 it, but it will have everything else that we negotiated. And  
19 by everything I'm not trying to, you know, create a trick.

20 I was on the phone with Mr. Perez's partner, Richard  
21 Morris and we were working through what Richard Morris had  
22 said to me after things blew up, he really thought we were  
23 just going to sign.

24 And he was right. We had gotten down to extreme levels

1 these are the last two points and we're on board with these  
2 numbers, and we're on board with this, and you're on board  
3 with that and we're done.

4 So I do not anticipate that a decision up or down on this  
5 is going to take more than two days. Because I anticipate the  
6 term sheet that I see is going to be exactly the same or  
7 virtually the same as the term sheets that we negotiated with  
8 the exception of the acceleration language.

9 Now FGIC is going to continue to work on the acceleration  
10 and who knows in the final final documentations maybe this  
11 third party will see reason and the acceleration of claims in  
12 the COPS structure, and the acceleration of claims in FGIC  
13 will be part of the opt in package, but we don't know. That's  
14 -- that's under -- under discussion. And it will happen or it  
15 won't.

16 There are various other things we do expect to see --

17 THE COURT: It sounds like you are making the  
18 conscious choice here not to identify that party.

19 MR. MAYER: That is correct. I talked to Mr. Perez  
20 about this. I think it is important to represent the  
21 financial wherewithal of this party to fund is beyond  
22 question.

23 This was not in any way, shape, or form said third party  
24 saying oops, we don't have the money. It was this third party  
25 saying, and I wasn't there, I get this third hand. We just

1 won't say yes now. And maybe they were trying to do a hold  
2 up. Maybe they had their own agenda, I don't know.

3 So from our perspective technically the mediation failed  
4 which is not a comment on the mediators. This part of the  
5 process they tried to help very late at night, but they were  
6 not really involved in our discussions with FGIC.

7 On -- so when we see the final documents, I'll be able to  
8 inform the Court that we're done. We don't have any more  
9 witnesses to call. There is no need for us to take Court  
10 time.

11 There is some chance I'll -- may have to come back and  
12 make some oral argument if my guys see the final documents and  
13 there's an unexpected problem. I hope that won't happen, but  
14 it could.

15 As Ms. Ball mentioned, we spent a lot of time on these  
16 documents. They do involve for example the investment of  
17 capital in the development of the Joe Louis Arena. That was a  
18 complicated matter. We have certain consent rights in those  
19 documents. I understand that we're going to see them in the  
20 term sheet that comes out.

21 There are mechanics for making the capital calls. There  
22 are some timing elements in terms of when things happen. We  
23 expect to see all of that. It's a detailed document. I think  
24 that is all I need to put on the record today unless the Court

25 has any questions.



1 THE COURT: Thank you, sir.

2 MR. KLEIN: Your Honor, Darrin Klein of Davis, Polk,  
3 and Wardwell on behalf of Merrill Lynch Capital Service  
4 Corporation who is not the third party that Mr. Mayer is  
5 referring to.

6 Merrill Lynch is one of the swap counter parties and one  
7 of the earliest supporters of the city's plan of adjustment.  
8 And we are extremely supportive in principal with the city  
9 settling with FGIC and the COP holders.

10 As Ms. Ball noted, however, the swaps and the COPS are  
11 very related in very complex ways and since I've only learned  
12 about the details of the settlement this morning, we're not  
13 yet sure whether this settlement kind of has unintended  
14 impacts on the delicate balance between the COPS and the  
15 swaps. So I noted that Ms. Ball says that none of that is  
16 intended.

17 Ms. Ball did note that the FGIC settlement agreement and  
18 the Syncora settlement agreement contained provisions that  
19 they will not materially amend the plan adversely to Syncora  
20 and FGIC. She didn't mention, though I'm sure the oversight  
21 was not intentional, that our settlement agreement, the swap  
22 settlement agreement, has a similar provision that the city  
23 will not propose or support a plan that has a material adverse  
24 impact on the swap counter parties as compared to our  
25 settlement related to the swaps or the COPS.

1 And our settlement agreement with the city was very  
2 heavily negotiated to make sure that the swap counter parties'  
3 claims and defenses against the COPS, FGIC, and Syncora were  
4 fully preserved.

5 When the settlement with Syncora happened and we had a  
6 chance to review it, we thought that there might be some  
7 issues that impacted the relationship between Syncora and the  
8 city. But we were able to work very productively and quickly  
9 with the city and Syncora to negotiate a stipulation and we  
10 provided that. The swap counter parties' rights claims, and  
11 defenses against Syncora were not in any way prejudiced or  
12 affected by the Syncora settlement.

13 And that stipulation fully reserved our issues there. To  
14 the extent we have some particular issue once we were -- had a  
15 chance to review the FGIC settlement, we expect we would  
16 likewise be able to work very quickly and consensually with  
17 FGIC, the COP holders, and the city to resolve them.

18 I immediately rise to note for Your Honor that we're not  
19 yet sure whether this FGIC settlement raises any of the  
20 similar issues that the Syncora one raised. But it's always  
21 our preference to resolve any issues consensually and we'll  
22 certainly endeavor to do so here.

23 THE COURT: Thank you, sir.

24 MS. BALL: Your Honor, just as a matter of what I

1 been signed by FGIC, the state, and the city, are exhibits to  
2 the motion for relief from the mediator's order. So they are  
3 available at the moment, they're on the record to everyone.

4 That is distinct, however, Your Honor, from whatever  
5 arrangements inter se may have been the subject of term sheets  
6 between FGIC and its COPS holders which I believe is what Mr.  
7 Mayer was describing.

8 MR. MAYER: Yes, Your Honor. We anticipate filing  
9 those as well publicly so that everybody can see what -- what  
10 that deal is. And we will probably file something that shows  
11 what the deal would have been.

12 THE COURT: Okay.

13 MS. BALL: Your Honor, the -- the issues that remain  
14 on FGIC's side of the house we still have settled with FGIC.  
15 The city will see that the consideration for Class 9 and the  
16 development agreement are done.

17 We wish them great luck and speedy resolution of their  
18 issues inter se. And, Your Honor, thank you very much for  
19 your patience with us.

20 THE COURT: Well, a couple of more questions,  
21 please. You mentioned contributions by the city's  
22 professionals. Can -- are you in a position to expound on  
23 that?

24 MS. BALL: Your Honor, I believe that will be the  
25 subject of Mr. Malhotra's testimony. I have only a very high

1 level knowledge of it and I would defer to Mr. Orr. But I do  
2 think it is in the seven figures. And I do not believe it's  
3 been allocated. I don't know if Mr. Orr would care to  
4 elaborate.

5 MR. ORR: Yes, Your Honor. As you might imagine in  
6 trying to pull this transaction together, and trying to get to  
7 the final version of the projections, we scraped the cupboards  
8 pretty bare.

9 I thought it was fair to ask the professionals, at least  
10 the immediate city restructuring professionals to put a little  
11 money in the pot. So I asked for a \$5,000,000 contribution.  
12 There is no contractual obligation for them to make that  
13 contribution, but I think it's generally understood by all  
14 professionals that it's necessary to get us over the finish  
15 line.

16 THE COURT: All right. So it sounds like the right  
17 thing to do here from my perspective is to schedule us to  
18 reconvene next Tuesday morning for Mr. Malhotra's testimony at  
19 least and in the meantime as I indicated earlier, I will work  
20 with Ms. Kopacz to see what makes sense in terms of the work  
21 she needs to do and -- and when she can be prepared to present  
22 her testimony. And perhaps next Tuesday morning we can also  
23 get an update on your further preparations of the necessary  
24 documents.

1 as a report from Mr. Perez on their regulatory schedule and  
2 when he believes he is comfortable resting so that Your Honor  
3 can move on to closing arguments.

4 THE COURT: Yes. And perhaps we'll also get a  
5 report on -- regarding city council's consideration here.

6 MS. BALL: We would hope by Tuesday to have that.

7 THE COURT: Yes. And if city council approves it,  
8 does the loan board also have to approve it, or is this --  
9 does that become unnecessary at that point?

10 MS. BALL: That's unnecessary.

11 THE COURT: Unnecessary, okay. So is it the city's  
12 intention to ask the Court for its approval of this settlement  
13 under 9019?

14 MS. BALL: Yes, Your Honor, in two contexts.

15 THE COURT: So how will that -- how will that  
16 request be manifested?

17 MS. BALL: It will be manifested in a stipulation of  
18 settlement in the adversary proceeding which will include the  
19 development agreement under 9019 in that procedural posture.  
20 And it will also include Your Honor, a settlement agreement  
21 which would be part of the plan, the confirmation.

22 THE COURT: Okay. Well, does the city plan to  
23 submit evidence either from Mr. Orr or otherwise in support of  
24 the settlement as it has in the past?

25 MS. BALL: Your Honor, the Class 9 settlement has --  
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1 it has not varied from the evidence previously provided by Mr.  
2 Doak. We did not think it was necessary.

3 The only additional plan item is the allowance of  
4 unsecured claims in the amount -- in the amount of six one one  
5 and the assignment of distributions there. If Your Honor  
6 would like evidence, it would seem to me the -- that perhaps  
7 we should do it in the context of the invalidity suit which is  
8 where the development agreement is. That's where the changes  
9 are, Your Honor. You've really heard --

10 THE COURT: Well, I -- I -- I leave it to you --

11 MS. BALL: All right.

12 THE COURT: -- if you're asking for my approval of  
13 the settlement, to create whatever record you think is  
14 necessary to do that.

15 MS. BALL: Thank you, Your Honor.

16 THE COURT: Okay. I just have one other very  
17 unrelated matter. So are we done with these matters of  
18 settlement?

19 MR. BRILLIANT: Your Honor, Allan Brilliant on  
20 behalf of MIDD. Just -- just a technical scheduling matter.  
21 You know, we talked, you know, earlier about the possibility  
22 of having, you know -- you know, a hearing on the 9019 with  
23 respect to the MIDD settlement on Monday.

24 You know -- you know, I don't know if Your Honor wants to  
25 do it on Monday or Tuesday if the hearing is going to be

1 continued to Tuesday. Obviously from our perspective, you  
2 know, we haven't rested in our case. Our expectation is that  
3 will become moot when, you know, the settlement is approved.  
4 But we just want to make sure that, you know, we get some  
5 understanding as to when the next hearing will be.

6 THE COURT: Uh-huh, yes, yes, good idea.

7 MS. LENNOX: Your Honor, I just rise because I don't  
8 think we intended a hearing under 9019 on the MIDD  
9 stipulation. We're sending the stipulation out on notice and  
10 if somebody objects to the stipulation, we'll have a hearing  
11 on the objection. But that's all we're -- the city is  
12 intending to do.

13 THE COURT: Uh-huh. With shortened notice?

14 MS. LENNOX: Yes.

15 THE COURT: How short?

16 MS. LENNOX: Well, normally, Your Honor, if the  
17 parties stipulate, we present a stipulation to Your Honor, and  
18 Your Honor enters the order with no notice.

19 THE COURT: Uh-huh.

20 MS. LENNOX: So it seems to me that at MIDD's  
21 request, we are taking sort of extraordinary steps here and I  
22 would argue that no real notice is necessary, nevertheless,  
23 we're giving it anyway. The procedural posture in which we  
24 would do that is we would file a stipulation today under a

1 That notice would indicate to parties that if -- if they  
2 have some objection to the stipulation, they should file it by  
3 10:00 a.m. on -- on Monday morning. And if no objections --

4 THE COURT: Okay.

5 MS. LENNOX: -- are filed, we would submit the  
6 order.

7 THE COURT: All right. The only thing I would ask  
8 then is that your stipulation contain some kind of a recital  
9 of the factors that you all believe supports a finding of the  
10 reasonableness of the settlement.

11 MS. LENNOX: Thank you, Your Honor, we'll do that.

12 THE COURT: Okay, sir?

13 MR. BRILLIANT: Yes, Your Honor. Thank you.

14 THE COURT: All right. On -- on an unrelated  
15 matter, in connection with yesterday's hearing at which pro se  
16 objectors testified or examined witnesses, there were several  
17 documents or exhibits that were discussed but of course were  
18 not moved into evidence.

19 So I'd like to ask if the city has any -- or really any  
20 party, has any objection to the admission into evidence of the  
21 documents, the exhibits that were discussed or -- or testified  
22 about yesterday?

23 MR. CULLEN: No, Your Honor. No objection.

24 MR. SOTO: No objection, Your Honor.

25 THE COURT: All right. The Court will enter an  
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1 order admitting those into evidence. Anything further for  
2 today then? All right. Next Tuesday morning at 8:30 we will  
3 reconvene.

4 THE CLERK: All rise.

5 THE COURT: Oh, I'd like to see Ms. Ball and Mr.  
6 Perez over here, please.

7 THE CLERK: Court is adjourned.

8 (Court Adjourned at 10:41 a.m.)  
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7 We certify that the foregoing is a correct transcript from the  
8 electronic sound recording of the proceedings in the  
9 above-entitled matter.

10  
11 /s/Deborah L. Kremlick, CER-4872  
12 Letrice Calloway

Dated: 10-18-14